
~~WESTERN MASSACHUSETTS ELECTRIC COMPANY~~

Draft

REQUEST FOR PROPOSALS TO PROVIDE STANDARD OFFER TO CUSTOMERS OF WESTERN MASSACHUSETTS ELECTRIC COMPANY ("WMECO")

August 1998

WMECO expressly reserves the right to disregard any submission, to seek clarifications of any submissions, to negotiate modifications to any submissions, to unilaterally change the requirements of this RFP, including the solicitation schedule, to withdraw its plans for the solicitation process as described herein, and to invite or exclude any respondent to this RFP ("Respondent") seeking to participate in the solicitation as WMECO sees fit. The information contained herein is subject to state and federal regulatory approvals. Subsequent legislative, judicial, regulatory, or administrative actions may require WMECO to modify or withdraw its plans as described in this RFP. A Respondent's preparation for this process, submission of information in response to this RFP, or participation in this process shall not operate to vest any rights in that Respondent or to create any obligation for WMECO.

Request for Proposals To Provide Standard Offer To Customers of Western Massachusetts Electric Company ("WMECO")

INTRODUCTION

This Request for Proposals ("RFP") for Standard Offer is part of a procurement process through which Western Massachusetts Electric Company ("WMECO") intends to award Standard Offer supply contract(s) to serve customers whose loads will not be served by retail access suppliers within a 1998-2004 transition period (the "Transition Period"). Standard Offer Service, as used in this RFP, means firm, all-requirements power delivered to the meters of WMECO's end-use customers who are not served by competitive providers of electric power supply either by choice and/or because of default of competitive contracted suppliers. Appendix A provides more information on Standard Offer eligibility for WMECO's customers.

WMECO expressly reserves the right to encourage customers to choose their own suppliers from the competitive marketplace. However, it is expected that total Standard Offer requirements will initially be substantial. Even though the role of contracted Standard Offer is likely to decline over time, active Standard Offer obligations will not be subject to diminution in any way.

WMECO is making a concerted effort to ensure that its total Standard Offer peak demand and associated energy will be competitively procured. Accordingly, potential suppliers have been given considerable latitude to shape their offers in ways that best suits their capabilities. Interested parties are invited to bid for the right to supply part or all of WMECO's Standard Offer requirements on a bundled or an unbundled basis. Each party responding to this RFP ("Respondent") must provide in its proposal evidence of its ability to perform potential contractual undertakings that may result from this request. Based on bidding results, WMECO will identify to the extent possible the Standard Offer supplier(s) needed for the entire duration of the Transition Period (from approximately January 1, 1999 through 2004). WMECO expects to award the winning proposal(s) Standard Offer Power Supply Contract(s) ("Standard Contract") as early as (date to be determined). Power delivery is expected to commence as of (date to be determined).

Section II specifies the Standard Offer supplies to be procured through this RFP. The next section presents the required terms of service of this solicitation. Respondent qualification requirements, including an audited statement of financial status and other relevant information to ascertain a supplier's ability to perform, are specified in Section IV. Section V discusses the Standard Contract(s) that would have to be consummated at the conclusion of the solicitation process. The last section discusses the RFP's schedule.

II. REQUESTED STANDARD OFFER

To ensure sufficient participation in this solicitation, WMECO has chosen to maximize response flexibility for potential bidders. Interested parties can select any one of the following options or combinations thereof:

Bid to supply WMECO's entire Standard Offer obligations (the Bundled Supply Option)

1. Base Load Standard Offer
2. Load Following Standard Offer
3. Alternative Bidding Option

The qualification requirements for bid evaluation and potential selection are the same for all four options and are presented in Section IV of this RFP.

A. The Bundled Supply Option

WMECO is seeking a qualified contractor who will deliver energy and associated capacity and NEPOOL requirements in amounts sufficient to meet WMECO's entire Standard Offer obligations, on a continuous basis (minute-by-minute and hour-by-hour) during the Transition Period. Respondents must be capable of meeting the hourly, daily and seasonal electricity load fluctuations associated with consumer demand changes. The selected contractor must be willing and capable of managing the long-term volatility of Standard Offer requirements.

The selected contractor is responsible for forecasting its Standard Offer obligation on an hourly, daily, monthly and long term basis. However, WMECO will provide the contractor with the information the Company can release for the purpose of facilitating the projection of the Standard Offer requirements. Such data includes WMECO's forecasted energy and peak demand load for the entire service territory, aggregated estimates of customers' load served by comparative retailers, and subsequent updates to such information.

Appendix B provides forecasted total monthly energy sales and energy outputs for 1998, 1999 and 2000. Projections of WMECO's Annual Net Electrical Energy Requirements and Peak Demands for the Transition Period also can be found in the same appendix.

B. Base Load Standard Offer

Base Load Standard Offer means the provision of firm energy and associated capacity, ancillary services and NEPOOL requirements to meet that portion of WMECO's Standard Offer requirements that has to be served around the clock at a 100-percent load factor. WMECO is seeking qualified supplier(s) who will deliver such energy and associated capacity and NEPOOL obligations on a continuous basis (minute-by-minute and hour-by-hour) during the Transition Period. At this time, WMECO expects its Base Load needs to be approximated by the forecasted values of Table 1.

TABLE 1: Base Load Standard Offer Requirements

	<u>Megawatts</u>	<u>Megawatthours</u>	<u>Load Factor_</u> <u>(percent)</u>
1999	to be provided	later	100
2000			100
2001			100
2002			100
2003			100
2004			100

Respondents must observe the following conditions for submitting bids:

- A. Respondent must bid to serve load throughout the Transition Period.
- B. Respondent can bid on any number of megawatts in any year provided that:
 - a) the megawatts bid in any year must be greater than or equal to the megawatts bid in the subsequent year; and
 - a) any year's bid must not be less than one megawatt nor greater than the amount requested for that year.
- A. A winning bidder must be willing, upon a three-months WMECO notice to increase or decrease its Base Load Standard Offer obligations for that within limits established by its prorata share.
- A. Qualified bidders are entitled, subject to any provision of law, to submit joint bids. Under the Base Load Standard Contract, the obligations of such suppliers will be joint and several. Any required performance bond or letter of credit must be posted for the applicable contract period. The lead bidder of any joint bid should be clearly identified as the designated point of contact for all actions associated with such bid.

Suppliers will not be held accountable for increased Base Load Standard Offer requirements resulting from other suppliers' defaults. In the event of a Base Load Standard Offer supplier default, other non-defaulting suppliers will have a pro-rata right of first refusal to assume the defaulting supplier's obligations to WMECO on the same terms as those in the defaulting supplier's Base Load Standard Offer Contract.

C. Load Following Standard Offer Service

Load Following Standard Offer means the around-the-clock provision of firm energy and associated capacity, ancillary services and NEPOOL requirements to meet WMECO's Standard Offer load obligations net of the energy provided for by the WMECO contracted suppliers of Base Load Standard Offer Service. WMECO is seeking a qualified contractor who will purchase and deliver, at least cost, energy and associated capacity and NEPOOL requirements in amounts sufficient to meet WMECO's Load Following Standard Offer obligations, on a continuous basis (minute-by-minute and hour-by-hour) during the Transition Period.

Respondents must be capable of meeting the hourly, daily and seasonal electricity load fluctuations associated with consumer demand changes. They also must be willing and capable of managing the long-term volatility of Load Following Standard Offer requirements.

The selected contractor is responsible for forecasting its Standard Offer obligation on an hourly, daily, monthly and long term basis. However, WMECO will provide the contractor with the information the Company can release for the purpose of facilitating the projection of the Standard Offer requirements. Such data includes WMECO's forecasted energy and peak demand load for the entire service territory, WMECO's total aggregated total load forecast, and subsequent updates to such information.

Appendix B provides forecasted monthly energy sales and energy outputs for 1998, 1999 and 2000. Projections of WMECO's Annual Net Electrical Energy Requirements and Peak Demands for the Transition Period also can be found in the same appendix.

A. Alternate Bidding Option

Certain suppliers may not be capable of, or desire to submit bids in accordance with any of the above options. Such suppliers are able to submit alternative proposals if they can provide added value to WMECO's Standard Offer to customers. The added value should be translatable into reduced cost and/or lower risks. Under this option, for example, suppliers may submit single year or partial load requirement bids. WMECO will make every effort to evaluate all alternative bid options on an equal footing with bids using the first three options.

III. TERMS OF SERVICE

The selected Standard Offer contractor(s) will be deemed responsible for all requirements and costs associated with meeting WMECO's Standard Offer obligations, including energy, Installed Capability, Operable Capability, Operating Reserves, Automatic Generation Control, VAR support, losses, any congestion charges and any other future requirements that might be imposed by the New England Power Pool ("NEPOOL").¹ WMECO will make arrangements for Regional Network Service under NEPOOL's open access tariff, Local Network Service under WMECO's open access tariff, and Distribution Service under WMECO's retail delivery tariff (approved by the Department of Telecommunications and Energy ("DTE")). Further, the selected supplier(s) will agree to the following:

¹ The capitalized terms are defined in the Amended NEPOOL Agreement.

- The winner(s) will enter into Standard Contract(s) with WMECO by (date to be determined) for start of service by (date to be determined).
- The service provided will be covered by a contract between the supplier(s) and the Company.

Respondents interested in Option 3 must agree to the following additional terms:

- A. WMECO will compensate the selected Load Following supplier with a fee consisting of two parts:
 - i) a fixed volumetric (\$/MWh) administrative charge (AC) as specified in the winning proposal in response to this RFP; and when applicable.
 - ii) a performance-based bonus (PBB) equal to a fixed percentage of WMECO's savings (i.e., the difference between the actual pass-through cost of the delivered Load Following service and what WMECO would have paid for an Equivalent Service at Competitive Prices in the Spot Market. The terms Equivalent Service, Competitive Prices and Spot Market will be fully defined in the Technical Conference as scheduled in this RFP. The value of the PBB multiplier will be as specified in the proposal of the selected supplier.
- A. The PBB part of the fee will be paid only for the month(s) in which the actual pass-through cost of the delivered Load Following Service falls below what WMECO would have paid for Equivalent Service at Competitive Prices in the Spot Market.
- B. Respondents may propose any fee design they see fit. However, the per-megawatt-hour total cost of Load Following Standard Offer for any month will not exceed what WMECO would have paid for Equivalent Service at Competitive Prices in the Spot Market for that month. WMECO reserves the right to terminate its contract with the winning supplier upon a thirty (30) day notice if the supplier fails to meet this criterion.

IV. QUALIFICATION REQUIREMENTS

In order to secure reliable, low cost Standard Offer for its customers, WMECO wishes to include all qualified power suppliers in its Standard Offer solicitation. WMECO invites bids from all potential power suppliers including, without limitation, public utilities, municipal light departments, Qualifying Facilities under the Public Utility Regulatory Policies Act, Exempt Wholesale Generators under the 1992 Energy Policy Act, independent power producers, marketers and brokers.

Each Respondent must meet three requirements before its bid to provide Standard Offer to WMECO's customers can be considered eligible for evaluation and potential selection:

- (1) In its proposal, the Respondent must be able to demonstrate that it either: (a) will be, throughout the period that it proposes to provide Standard Offer Service, a member of NEPOOL or its successor entity, and will have own-load dispatch or settlement account established within the NEPOOL billing system, or (b) will have an agreement in force, for the full term of its Standard

Offer Contract, with a NEPOOL member whereby the NEPOOL member would agree to include the load to be served by the supplier in its own load dispatch or settlement account

². At the time of proposal submittal, a Respondent will not be required to hold title to the power needed to fulfill its obligations as proposed in its bid.

(2) Respondent must demonstrate in its proposal that it has the financial resources and experience to perform adequately in accordance with the terms and conditions of its Standard Contract. WMECO intends to maximize bidders' participation by allowing Respondents considerable flexibility in meeting appropriate financial performance criteria. Thus, a prospective supplier will be able to establish its financial qualifications for participating in the solicitation in one of three ways:

- A. demonstrate ability to claim Investment Grade Company status, or
- B. meet the requirements of a Qualifying NEPOOL-Based Generator, or
- C. provide evidence of performance security in the form of irrevocable letters of credit, surety bonds, and/or mortgage liens on tangible assets.

Proposals submitted by shell or special purpose corporations, limited liability companies and inexperienced entities may not be deemed eligible for evaluation. Appendix C specifies in detail the financial requirements that Respondents to this RFP must meet.

(1) Respondent must provide the information specified in Appendix D by 2:30 p.m. EST on (date to be determined).

V. EXECUTION OF STANDARD OFFER CONTRACT(S)

Upon completion of the solicitation, the winning Participant(s) and their Guarantor, if any, must enter into Standard Offer Power Supply Contract(s). WMECO reserves the right to modify the terms and conditions of the preliminary forms of the Standard Contracts prior to the date of the contract execution.

Simultaneously with the execution of a Standard Contract, each winning bidder must post a performance bond corresponding to its Standard Offer responsibility. The details of this requirement can be found in Appendix H.

² NEPOOL membership is open to any person or organization engaged in the electric power business (the generation and/or transmission and/or distribution of electricity for consumption by the public, or the purchase, as principal or broker, of Installed Capability, Operable Capability, Operating Reserve, and/or AGC for resale at wholesale or retail), whether in the United States of America or Canada or a state or province or a political subdivision thereof or a duly established agency of any of them, a private corporation, a partnership, an individual, an electric cooperative or any other person or organization recognized in law as capable of owning property and contracting with respect thereto. No person or organization shall be deemed to be eligible for membership if the generation, transmission, or distribution of electricity by such person or organization is primarily conducted to provide electricity for consumption by such person or organization or an affiliated person or organization or a Related Person. The foregoing capitalized terms can be found in the Amended NEPOOL Agreement.

A winning bidder that has not qualified either as an Investment Grade Supplier or as a Qualified NEPOOL-Based Generator must provide, simultaneously with the execution of a Standard Contract, either:

- (a) A commitment letter directed to WMECO from a commercial bank with a Minimum Debt Rating. In such letter, the bank shall irrevocably commit that, at least 30 days prior to each calendar year in which the Participant is obligated to supply Standard Offer Service, performance letters of credit from one or more banks with such Minimum Debt Ratings will be issued to WMECO in an aggregate amount equal to the performance bond amount that the Participant is obligated to meet in such year up to a specified maximum aggregate amount. (See Appendix H.) The bank shall specify the aggregate amounts of the performance letters of credit that it is irrevocably committed to issue and the years in which they will be issued; or
- (b) A commitment letter directed to WMECO from a surety company with a Minimum Rating. In such letter, the surety company shall irrevocably commit that, at least 30 days prior to each calendar year in which the Participant is obligated to supply Standard Offer Service, performance bonds from one or more surety companies with such Minimum Ratings will be issued to WMECO in an aggregate amount equal to the performance bond amount that the Participant is obligated to meet in such year up to a specified maximum aggregate amount. (See Appendix H.) The surety company shall specify the aggregate amounts of the performance bonds that it is irrevocably committed to issue and the years in which they will be issued.

Acceptable forms of performance letters of credit or performance bonds are included within this RFP request. If the Participant is required to provide such bank or surety company with a guarantee or any other form of financial assurance from one or more other entities to secure Participant's performance bond or letter of credit obligations, then WMECO requires that such entities must also guarantee all Participant's obligations to WMECO, including, but not limited to, its obligations under the Standard Offer Power Supply Contract.

VI. SOLICITATION PROCESS

The solicitation process has started with the release of this RFP. WMECO will host a half-day Technical Conference to answer questions and to provide further details on technical issues such as terms of service and delivery points. Suppliers interested in attending the Technical Conference, should out fill out the response in Appendix K and return as directed by 2:30 pm on (date to be determined). WMECO expects to use the timeline below for the entire process:

WMECO's Solicitation Timeline

Date of Issue of This RFP	date to be determined
Intent to Attend Technical Conference	date to be determined
Technical Conference	date to be determined
Proposals Due Date	date to be determined
Completion of Proposals Evaluation	date to be determined
Announcement of Preliminary List of Winners	date to be determined
Contracts Signed	date to be determined
Start of Service	date to be determined

WMECO will identify the most competitive Standard Offer supplier(s) through a fully transparent proposal evaluation mechanism. Each Qualified proposal will be evaluated as an integral seven-year package. Proposals will be ranked in terms of increasing per-megawatthour present value of the cost to WMECO of the offered seven-year Standard Offer packages. The winning supplier(s) will be selected from a pool of qualified bidders on a least cost basis. A bid may not be conditioned on the outcome of any bid submitted by another bidder or any other event.

Winning bids will be determined through a combination of three methods:

1. A comparison of competing bids in terms of the total NPV of the cost of service for the entire Transition Period;
2. A year-to-year comparison of the cumulative annual present values of the cost of service of the competing bids; and
3. A risk analysis of competing bids in relation to price and load forecast uncertainties.

Additionally, WMECO will evaluate the present value of the cost of Load Following Standard Offer offered by each proposal under Option 3 in accordance with following formulation:

$$\begin{aligned}
 & \text{Value of Bid} = \sum_{i=1}^N \frac{P_i}{(1+DR)^i} \\
 & P_i = AC + H_i + P_{\text{Performance}} + P_{\text{Price}} + P_{\text{Load Following}} \\
 & AC = \text{Administrative Charge} \\
 & H_i = \text{Hours in Year } i \times \text{Hourly Charge} \\
 & P_{\text{Performance}} = \text{Pass-through of delivered service (per MWh)} \\
 & P_{\text{Price}} = \text{Price of delivered service (per MWh)} \\
 & P_{\text{Load Following}} = \text{Load Following Bonus (per MWh)} \\
 & DR = \text{Discount rate for Year } i
 \end{aligned}$$

WMECO will evaluate the above expression for the following set of pre-determined set of price differentials:

$$P_{\text{spot}}^i - P_{\text{actual}}^i = (0, 0.5, 1, 2, 4, 8, 10) \text{ \$ per MWh.}$$

Respondents must submit the required information and evidence of their financial and other qualifications along with their proposals on the due date of this RFP. Only the proposals of Qualified Participants will be considered for ranking for the purpose of identifying the winning offers. Potential winning supplier(s) will be contacted as soon as possible upon completion of proposals evaluation.

Solicitation winner(s) must provide performance commitment letters at the time the Standard Contract is executed. The required amount for the performance commitment letters is the same as the performance assurance letters value specified in the RFP.

WMECO wants to be flexible with respect to the requirements of the RFP including financial guarantee specifications. WMECO is soliciting comments from Respondents to the RFP and from prospective bidders during the Technical Conference. WMECO will finalize these specifications in the invitation to the Technical Conference.

Appendix A

CUSTOMER ELIGIBILITY RULES FOR STANDARD OFFER SERVICE

- Consumers who do not select competitive sources of supply, as of the Retail Access Date, will receive Standard Offer Service. During an initial period from March 1, 1998 through the time Standard Offer solicitation contracts are in place to serve 100% of the Company's SO requirements, WMECO intends to purchase Standard Offer from Northeast Utilities ("NU") generating facilities. Once contracted, third party suppliers will replace NU resources as the providers of Standard Offer electricity. Standard Offer will be available for seven years after the retail access date, unless otherwise approved by the Department.
- Standard Offer will be available to each customer who was a customer of record as of the Retail Access Date and who has not received generation service from a competitive supplier since the Retail Access Date or is not receiving Default Service.
- A customer receiving Standard Offer will be allowed to retain such service upon moving within WMECO's service territory.
- A customer who has previously received generation service from a competitive supplier is no longer eligible to receive Standard Offer Service, except that a low-income customer may return to Standard Offer at any time, regardless of whether the customer has previously received generation service from a competitive supplier. In addition, a residential or small commercial and industrial customer who has received generation service from a competitive supplier since the Retail Access Date is eligible to receive Standard Offer by so notifying WMECO within one-hundred and twenty days (120 days) of the date when the customer first began to receive generation service from a competitive supplier, provided that such notification occurs during the first year following the Retail Access Date. There will be no fee for returning to Standard Offer Service.

A customer who moves into WMECO's service territory after the Retail Access Date is not eligible to receive Standard Offer Service, except that a low-income customer who moves into WMECO's service territory after the Retail Access Date is eligible for Standard Offer Service.

Appendix B

WMECO's Forecasted Total Monthly Energy Sales and Outputs (MWh), and Peak Demands

1998	Residential	Commercial	Industrial	Street Lighting	Total Retail	Wholesale	Total Sales	Output and Peaks		
								Total Output	Load Factor	Peak (MW)
Jan	146,855	120,027	78,567	2,752	348,201	2,427	350,628	380,887	77.57	66
Feb	133,863	116,634	81,799	2,371	334,667	2,226	336,893	334,592	76.60	65
Mar	119,535	110,919	77,613	2,367	310,434	2,123	312,557	349,008	75.30	62
Apr	111,567	111,966	83,774	2,077	309,384	2,532	311,916	306,726	76.07	56
May	94,945	108,744	82,615	1,849	288,153	2,447	290,600	310,155	67.35	61
Jun	90,765	114,943	85,372	1,727	292,807	2,246	295,053	343,473	65.89	72
Jul	110,736	130,705	84,532	1,854	327,827	2,982	330,809	380,240	66.89	76
Aug	107,727	123,843	83,613	1,944	317,127	2,834	319,961	367,391	70.04	70
Sep	93,859	119,502	82,777	2,159	298,297	3,095	301,392	315,242	66.04	66
Oct	86,559	104,990	83,526	2,446	277,521	4,670	282,191	321,809	77.93	55
Nov	103,199	104,422	81,985	2,602	292,208	4,735	296,943	324,309	75.96	59
Dec	134,409	123,699	82,856	2,816	343,780	4,925	348,705	372,457	75.51	66
Total	1,334,019	1,390,394	989,029	26,964	3,740,406	37,242	3,777,648	4,106,289	61.36	76

1999	Residential	Commercial	Industrial	Street Lighting	Total Retail	Wholesale	Total Sales	Output and Peaks		
								Total Output	Load Factor	Peak (MW)
Jan	154,339	127,299	81,481	2,731	365,850	3,948	369,798	381,840	73.11	70
Feb	128,897	113,336	77,724	2,353	322,310	3,567	325,877	337,963	72.57	69
Mar	125,954	117,946	80,701	2,349	326,950	3,524	330,474	354,433	75.26	63
Apr	113,927	115,381	84,416	2,061	315,785	3,767	319,552	309,542	76.09	56
May	93,626	108,216	80,391	1,835	284,068	3,703	287,771	313,266	64.58	65
Jun	91,799	117,318	85,204	1,714	296,035	3,653	299,688	347,138	65.78	73
Jul	106,241	126,549	80,030	1,840	314,660	4,550	319,210	382,577	66.69	77
Aug	110,985	128,757	85,005	1,929	326,676	4,351	331,027	372,791	70.47	71
Sep	97,110	124,772	84,512	2,142	308,536	4,371	312,907	318,212	66.06	66
Oct	87,116	106,634	82,954	2,427	279,131	4,206	283,337	320,649	77.38	55
Nov	104,391	106,596	81,837	2,582	295,406	4,280	299,686	327,636	76.22	59
Dec	134,636	125,043	81,900	2,795	344,374	4,400	348,774	375,837	76.08	66
Total	1,349,021	1,417,847	986,155	26,758	3,779,781	48,320	3,828,101	4,141,884	61.33	77

2000	Residential	Commercial	Industrial	Street Lighting	Total Retail	Wholesale	Total Sales	Output and Peaks		
								Total Output	Load Factor	Peak (MW)
Jan	149,355	124,156	80,188	2,742	356,441	4,094	360,535	389,441	73.00	71
Feb	134,131	118,876	82,260	2,362	337,629	3,815	341,444	354,803	72.62	70
Mar	128,141	120,946	83,502	2,359	334,948	3,651	338,599	359,322	72.63	66
Apr	111,639	113,950	84,128	2,069	311,786	3,866	315,652	310,724	74.15	58
May	96,740	112,706	84,480	1,842	295,768	3,829	299,597	323,068	65.59	66
Jun	92,769	119,505	87,567	1,721	301,562	3,780	305,342	352,381	70.83	69
Jul	107,368	128,899	82,257	1,847	320,371	4,688	325,059	387,118	66.03	78
Aug	111,429	130,296	86,793	1,937	330,455	4,499	334,954	381,277	71.08	72
Sep	97,979	126,882	86,719	2,151	313,731	4,481	318,212	321,793	66.81	66
Oct	87,752	108,266	84,986	2,437	283,441	4,324	287,765	327,624	77.39	56
Nov	105,685	108,772	84,262	2,591	301,310	4,398	305,708	332,271	76.41	60
Dec	134,337	125,747	83,103	2,806	345,993	4,528	350,521	378,780	76.21	66
Total	1,357,325	1,439,001	1,010,245	26,864	3,833,435	49,953	3,883,388	4,218,602	60.95	78

**WMECO's Forecasted Total Annual Net Electrical Energy Requirements
and Peak Demands for the Transition Period**

Year	Total Sales (GWh)	Losses (GWh)	Net Output (GWh)	Loss Factor (%)	Summer Peak (MW)	Load Factor	Winter Peak (MW)	Load
								Factor
1998				8.70		0.614		0.668
1999				8.20		0.613		0.659
2000				8.63		0.609		0.673
2001				8.45		0.611		0.672
2002				8.45		0.610		0.671
2003				8.52		0.608		0.675
2004				8.44		0.608		0.671

Appendix C

FINANCIAL REQUIREMENTS

A successful solicitation requires as wide participation as possible by qualified suppliers of Standard Offer power. WMECO intends to achieve this goal by allowing Respondents considerable flexibility in meeting appropriate financial performance criteria. Thus, a prospective supplier will be able to establish its financial qualifications for participating in the solicitation in one of three ways:

- A. demonstrate ability to claim Investment Grade Company status, or
- B. meet the requirements of a Qualifying NEPOOL-Based Generator, or
- C. provide evidence of performance security in the form of irrevocable letters of credit, surety bonds, and/or mortgage liens on tangible assets

1. Qualifying Investment Grade Suppliers:

In this RFP, "Investment Grade Rating" means a long-term debt rating of "Baa3" or better from Moody's Investors Service or "BBB-" or better from Standard & Poors Corporation. "Investment Grade Company" means a company that possesses Investment Grade Rating. A qualifying "Investment Grade Supplier" is a Respondent that can demonstrate: (1) Investment Grade Company status, and (2) possession of equity whose current market value exceeds an amount determined by the number of megawatthours (MWh) of WMECO's Standard Offer obligation the Respondent wishes to serve times \$10 dollars per MWh.

A Respondent that wants to qualify as an Investment Grade Supplier, must provide one of the following:

- (i) A certificate signed by an authorized officer of Respondent stating that it satisfies the qualifications for an Investment Grade Supplier. An acceptable form for such certificate is provided in Appendix E; or
- (i) A certificate signed by an authorized officer of the Guarantor of Respondent stating that (1) such Guarantor satisfies the qualifications for an Investment Grade Supplier; and (2) such Guarantor will guarantee all of Respondent's obligations to WMECO, including, but not limited to the Standard Contract. An acceptable form for such certificate is provided in Appendix F.

2. Qualifying NEPOOL-Based Generators:

A Respondent that can demonstrate it has entitlement(s) or has demonstrated the ability to procure entitlements in generating resource(s) within the NEPOOL Control Area and meet NEPOOL's Installed Capability and Operable Capacity requirements commensurate with the load responsibility

portion the Respondent is bidding on, will be considered a "Qualifying NEPOOL-Based Generator." This category could include a NEPOOL participant or an entity with an agreement in place with a NEPOOL member whereby the NEPOOL member agrees to include the entity's load in such NEPOOL member's own-load calculation, with sufficient NEPOOL-based generation entitlements or a demonstrated ability to procure such generation entitlements consistent with the portion of WMECO's Standard Offer for which the Respondent wants to bid. Such bidder must provide a certificate signed by an authorized officer of Respondent stating that it meets the qualifications of a NEPOOL-Based Generator. An acceptable form for such certificate is provided in Appendix G.

3. Other Qualifying Suppliers:

A bidder who, for one reason or another, cannot establish Investment Grade Supplier status and is not a Qualifying NEPOOL-Based Generator, will qualify for participating in the solicitation if it provides:

- (i) An assurance letter directed to WMECO from a commercial bank with long term debt ratings of "A" or better from Moody's Investors Service and Standard & Poors Corporation ("Minimum Debt Rating"). In such letter, the bank shall state that it is highly confident that, prior to each year in which the bidder proposes to supply Standard Offer to WMECO, it can arrange for the issuance of performance letters of credit from one or more banks with such Minimum Debt Rating in an aggregate amount equal to the performance bond requirement as specified in Appendix H. The bank shall specify the face amount of performance letters of credit that it can arrange and the years in which they can be outstanding. The bank shall acknowledge that, upon completion of the solicitation, it will be prepared to issue a letter to WMECO to evidence its irrevocable commitment to provide performance letters of credit in amounts sufficient to secure Respondent's winning bids. An acceptable form for such assurance letter is provided in Appendix I; or
- (ii) An assurance letter directed to WMECO from a surety company with a rating of "B+" or better from A.M. Best Company ("Minimum Rating"). In such letter, the surety company shall state that it is highly confident that, prior to each year in which the bidder proposes to supply Standard Offer to WMECO, it can arrange for the issuance of performance bonds from one or more surety companies with such Minimum Ratings in an aggregate amount equal to the performance bond as specified in Appendix H. The surety company shall specify the face amount of performance bonds that it can arrange and the years in which they can be outstanding. The surety company shall also acknowledge that, upon completion of the solicitation, it will be prepared to issue a letter to WMECO to evidence its irrevocable commitment to provide performance bonds in amounts sufficient to secure Respondent's winning bid. An acceptable form for such assurance letter is provided in Appendix J; or
- (iii) A certificate signed by an officer of the Respondent stating (1) the availability of adequate mortgage lien(s) against Respondent's assets; (2) the market value of such assets, and (3) the nature of the assets (e.g., whether they are generating facilities); or
- (iv) Such other financial assurances as WMECO, in its sole discretion, deems to be adequate to secure all of Respondent's obligations to WMECO, including, but not limited to, its

obligations under the Standard Offer Supply Contract. Respondent shall propose, in its response to this RFP, any such financial assurances for WMECO's consideration.

The face amount of the performance assurance letters should exceed the value of the maximum amount of Standard Offer energy the Respondent may have to provide upon winning this RFP. (See Appendix H.)

Appendix D

REQUESTED INFORMATION

Each responding party that seeks to earn the right to provide Standard Offer to WMECO's customers must provide the following Information by 2:30 p.m. EST on (date to be determined):

1. General Information: Name of Respondent and any Guarantor (as described in Section IV.B, below), and principal contact person, title of principal contact person, street address, mailing address, telephone number, fax number, and e-mail address for the Respondent and the Guarantor, if any. A description of the legal status (e.g., a sole proprietorship, partnership, limited partnership, joint venture or corporation) and state of residency or organization for Respondent and any Guarantor. If Respondent or any Guarantor is a corporation, the names and titles of all officers, directors, and stockholders or members possessing five percent (5%) or more of the stock of the corporation, or, if a partnership, the names of all general and limited partners for each.

To the extent not included in the response to the previous items, a description of Respondent, any Guarantor, and all relevant affiliated entities and joint ventures of each, including numbers of professional employees, and a description of experience and record of performance over the last five years in the areas of power generation, delivery, marketing, brokering, sales, and contracting, with special reference to wholesale and retail electric power and fuel transactions. A statement as to whether Respondent, any Guarantor, or any affiliate of each has, in the last five years, been determined in writing by a court or arbitration panel to have breached or defaulted under any agreement relating to the sale of electricity or natural gas, including any financing agreements, and the resolution of such breach or default.

2. Financial Information: Information indicating Respondent's, and any Guarantor's, financial strength and reliability, including, where appropriate, corporate history, date of establishment; initial (if founded within the last ten years) and current capitalization; certified financial statements, including balance sheet and statements of income and cash flow with respect to the two previous fiscal years and the most recent interim period; Forms 10-K and 10-Q, submitted to the US Securities and Exchange Commission for the two previous fiscal years, if applicable; long-term debt ratings from Moody's Investors Service or Standard & Poors Corporation; and corporate affiliates or joint venture partners.

In WMECO's overall evaluation of each Respondent's qualifications, financial qualifications will be heavily weighed, because WMECO's customers' costs would increase if a Load Following Standard Offer supplier were to default and higher cost alternative power supplies had to be procured. Therefore, in addition to the above requirements, Respondent must provide such other information and financial assurances as WMECO, in its sole discretion, deems adequate to demonstrate that Respondent can and will fully honor its obligations under the Standard Contract.

3. References: The name, title, and contact information for five (5) references familiar with Respondent's, and any Guarantor's, business organization, finances and operating style.
4. Litigation and Penalties: A description of any and all indictments or pending litigation by any foreign or domestic federal, state or local jurisdiction relating to Respondent, any Guarantor, any officer, director, partner or member thereof, and any affiliate or related entity. A list of any criminal convictions within the last five years relating to Respondent, any Guarantor, any officer, director, partner or member thereof, and any affiliate or related entity. A list of all civil penalties, judgments, consent decrees and other sanctions within the last five years, as a result of any violation of any law, rule, regulation or ordinance in connection with its business activities relating to Respondent, any Guarantor, any officer, director, partner or member thereof, and any affiliate or related entity. A list of all actions occurring within the last five years which have resulted in revocation or suspension of any permit or authority to do business in any jurisdiction relating to Respondent, any Guarantor, any officer, director, partner or member thereof, and any affiliate or related entity. A list of all actions within the last five years that have resulted in the barring from public bidding relating to Respondent, any Guarantor, any officer, director, partner or member thereof, and any affiliate or related entity. A list of all bankruptcy and other similar proceedings within the last five years relating to Respondent, any Guarantor, any officer, director, partner or member thereof, and any affiliate or related entity.
5. Defaults: A description, in detail, of every situation within the last five years in which Respondent and/or any Guarantor (either alone or as part of a joint venture), or a subsidiary of Respondent and/or any Guarantor, defaulted or was deemed to be in noncompliance of its contractual obligations to deliver energy, explaining the situations, their outcomes and any other relevant facts associated with the events described. Please also note the names, titles and telephone numbers of the principal managers of the customers/clients who asserted the events of default or noncompliance. A list of all court or regulatory actions within the last five years brought by Respondent and/or any Guarantor (either alone or as part of a joint venture), or a subsidiary of Respondent and/or any Guarantor, claiming default or noncompliance of contractual obligation by a purchaser of electric capacity and/or energy.
6. Other Adverse Situations: A description of any present facts known to Respondent or any Guarantor that might reasonably be expected to adversely affect its ability to perform any aspect of a power supply contract.
 1. NEPOOL Membership: Respondent shall indicate whether it is currently a member of NEPOOL or its successor entity, or if it plans to become a member and, if so, at what point it is in the application process and the time frame for completing the application. Respondent shall also indicate whether it has or will have either (a) an own-load dispatch or settlement account established within the NEPOOL billing system or (b) an agreement in place, for the full term of Standard Offer availability, with a NEPOOL member whereby the NEPOOL member agrees to include the load to be served by the Respondent in its own-load dispatch or settlement account.

2. Authority: Respondent and any Guarantor must state that it has or will obtain all regulatory authorization necessary for it to legally perform its obligations under the Standard Contract that may be entered into with WMECO; that the execution, delivery, and performance of such contract will be within its lawful powers; that such contract will be duly authorized by all necessary business entity actions and will not violate any of the terms or conditions in its governing documents, any contract or other agreement to which it is a party or any law applicable to it; and that such contract when entered into will constitute its legally valid and binding obligation enforceable against it in accordance with its terms, subject to any equitable defense.

In the course of the solicitation process, if any supplier is found to provide faulty information, misrepresent the supplier's financial or operational characteristics, or omit any pertinent information, WMECO reserves the right to drop them from the solicitation process. If such a supplier is successful in obtaining a winning contract, WMECO retains the right to cancel the contract, and retain its performance bond.

WMECO agrees that it will treat the information it receives from Respondents and any Guarantor in a confidential manner and will use reasonable efforts not, except as required by law or regulatory authority, to disclose such information to any third party or use such information for any purpose other than in connection with its evaluation of Respondent's qualification to bid in the solicitation process described herein.

Appendix E

FORM OF SELLER'S OFFICER'S CERTIFICATE

OFFICER'S CERTIFICATE

This Officer's Certificate is provided to Western Massachusetts Electric Company ("WMECO") by [SELLER] ("Seller") in satisfaction of Section IV and Appendix C of the WMECO Request for Proposals dated (date to be determined).

I, [NAME], am the [TITLE] of Seller. I hereby certify to WMECO on behalf of Seller that:

- (a) Seller's current long-term debt ratings are [RATING] by [AGENCY]; and
- b) The market value of Seller's equity as of the close of the previous fiscal year ended [DATE] was \$[ASSETS] and it has not been materially reduced since such date.

IN WITNESS WHEREOF, the undersigned has set his hand hereto on behalf of the Seller as of the [DAY] of [MONTH], 1998.

[TITLE] [NAME]

Appendix F

FORM OF GUARANTOR'S OFFICER'S CERTIFICATE

OFFICER'S CERTIFICATE

This Officer's Certificate is provided to Western Massachusetts Electric Company ("WMECO") by [GUARANTOR] ("Guarantor") in satisfaction of Section IV and Appendix C of the WMECO Request for Proposals, dated (date to be determined).

I, [NAME], am the [TITLE] of Guarantor. I hereby certify to WMECO on behalf of Guarantor and Seller that:

- (a) Guarantor's current long-term debt ratings are [RATING] by [RATING AGENCY]; and
- (b) The market value of Guarantor's equity as of the close of the previous fiscal year ended [DATE] was \$[ASSETS] and it has not been materially reduced since such date.
- (c) Guarantor unconditionally and irrevocably guarantees to WMECO, their successors, endorsees and assigns, the prompt payment and performance when due of all present and future obligations and liabilities of all kinds of Seller to WMECO, whether due or to become due, secured or unsecured, absolute or contingent, joint or several pursuant to the Agreement. The liability of Guarantor shall and WMECO's right of recovery hereunder shall include all reasonable, out-of-pocket expenses incurred by WMECO to collect such amount or any part thereof and of enforcing this guarantee.

IN WITNESS WHEREOF, the undersigned has set his hand hereto on behalf of the Guarantor as of the [DAY] of [MONTH], 1998.

[TITLE] [NAME]

Appendix G

FORM OF NEPOOL-BASED GENERATOR'S OFFICER'S CERTIFICATE

OFFICER'S CERTIFICATE

This Officer's Certificate is provided to Western Massachusetts Electric Company ("WMECO") by [SELLER] ("Seller") in satisfaction of WMECO's Request for Proposals issued on (date to be determined).

I, [NAME], am the [TITLE] of Seller. I hereby certify to WMECO on behalf of Seller that:

- (a) Seller is currently in possession of entitlements in generating resources located within the NEPOOL Control Area or Seller has demonstrated the ability to procure entitlements in generating resources located within the NEPOOL Control Area; and
- (b) The total Installed Capability and Operable Capacity of said Seller's or NEPOOL member's entitlements are respectively [VALUE] and [VALUE] MW as of the date of this statement.

A copy of Seller's latest FERC Form 1 filing is attached.

If Seller primarily wants to qualify based on the ability to procure entitlements in generating resources located within the NEPOOL Control Area, a copy of Seller's demonstrated history of procuring such entitlements, along with relevant financial data, attested to by a certified public accountant, is attached.

IN WITNESS WHEREOF, the undersigned has set his hand hereto on behalf of the Seller as of the [DAY] of [MONTH], 1998.

[TITLE] [NAME]

Appendix H

PERFORMANCE ASSURANCE REQUIREMENTS

Bidders will be required to provide performance assurance letters or certificates in order for their bids to be considered eligible for evaluation. Eligibility of bids will be determined by the face value of such assurance letters or certificates as described in the RFP.

The solicitation's financial performance requirements are designed to achieve two goals:

- Determining Respondent's eligibility to bid
- Protecting WMECO and its customers from the risks of non-performance by winning bidders

1. Requirements for Bidding Eligibility:

Each bidder's eligibility to bid will be determined by the face value of the required assurance letter(s) and other requirements described in the RFP.

(i) Qualifying Investment Grade Suppliers:

A bidder who is targeting Option I and wants to demonstrate Qualifying Investment Grade Supplier status must show that either it or its Guarantor possesses equity whose current market value exceeds a threshold liquidity equal to:

$$< = \$100,000,000$$

MLF_i = Number MWh of Standard Offer obligation in year i .

Note: WMECO will provide a forecast of the MLF_i at the release of the RFP.

Bidders selecting other Options will need to demonstrate minimum equity value equal to the MWh's they are bidding on over the entire Transition Period time \$10 per MWh.

(ii) Other Qualifying Suppliers:

Again, a prospective bidder that is not a Qualifying Investment Grade Supplier and is not a Qualifying NEPOOL-Based Generator must submit an assurance letter from a qualified bank or a surety company, or a certificate of adequate tangible assets mortgage equity in accordance with the instructions of the RFP's Appendix C. The face value of such letters or certificates must equal the prospective bidder's anticipated Contract Performance Bond values as described below.

2. Requirements for Contract Performance:

The winning bidder must post a performance bond equal to the product of the total number of MWh of Standard Offer responsibility over the Transition Period times \$10 per MWh.

Appendix I
FORM OF BANK ASSURANCE LETTER

[DATE]

Michael W. Townsley
Manager, Market Planning & Regulatory Support
Northeast Utilities Service Company
107 Selden Street
Berlin, CT 06037

Mr. Townsley:

On behalf of [SELLER] ("Seller"), and in reference to Section IV and Appendix B of WMECO's Request for Proposals dated (date to be determined), [BANK] is highly confident in its ability to arrange the issuance of performance letters of credit from one or more banks with long-term debt ratings of "A" or better from Moody's Investors Service and Standard & Poors Corporation, in an aggregate amount up to \$[AMOUNT] to secure the potential winning bid by Seller.

Upon completion of the solicitation, and within two (2) business days of Seller being awarded a Standard Offer Power Supply Contract, [BANK] would be prepared to issue a commitment letter to WMECO to evidence its irrevocable commitment to provide performance letters of credit to a limit of \$[AMOUNT]. Such commitment shall be in the form of the Commitment Letter exhibited herein.

[SIGNATURE]
[NAME]
[TITLE]

Appendix J

FORM OF SURETY COMPANY ASSURANCE LETTER

[DATE]

Michael W. Townsley
Manager, Market Planning & Regulatory Support
Northeast Utilities Service Company
107 Selden Street
Berlin, CT 06037

Mr. Townsley:

On behalf of [SELLER] ("Seller"), and in reference to Section IV and Appendix B of WMECO's Request for Proposals dated (date to be determined), [SURETY COMPANY] is highly confident in its ability to arrange the issuance of performance bonds from one or more surety companies with a rating of "B+" or better from A.M. Best Company in an aggregate amount up to \$[AMOUNT] to secure the potential winning bid by Seller.

Upon completion of the solicitation, and within two (2) business days of Seller being awarded a Standard Offer Power Supply Contract, [SURETY COMPANY] would be prepared to offer a commitment letter to WMECO to evidence its irrevocable commitment to provide performance letters of credit to a limit of \$[AMOUNT]. Such commitment shall be in the form of the Commitment Letter enclosed herein in.

[SIGNATURE]

[NAME]

[TITLE]

Appendix K

NOTIFICATION OF INTENT TO ATTEND TECHNICAL CONFERENCE

Paul N. Kuehn
Senior Market Planning Analyst
Northeast Utilities Service Company
107 Selden Street
Berlin, CT 06037

Phone: 860-665-2747
Fax: 860-665-2919
E-mail: kuehnnpn@nu.com

Mr. Kuehn:

The following people are interested in attending the half-day Technical Conference on (date to be determined) at the Northeast Utilities Service Company headquarters located at 107 Selden Street in Berlin, CT.

Name/Title	Company	Address	Phone	E-Mail

[NAME]

[TITLE]